

June 6, 1966

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Interdepartmental Regional Group
for Europe

Minutes of Meeting of June 1, 1966

Chairman: Mr. Stoessel *W/S*

Present: AID - Mr. Saxe
CIA -
25X1A DOD - Mr. Wyle
Mr. George
JCS - Rear Admiral Lynch
State - E - Mr. Cooper
EUR/RPE - Mr. Hinton
Treasury - Mr. Sullivan
Mr. Widman
USIA - Mr. Weld
White House - Mr. Bator
Staff Director - Mr. Yost

1. Minutes of meeting of May 10 approved (IRG/EUR/Minute - 5 /draft/ and Corrigendum).

2. NATO Military Payments Union (NMPU)

i. Press Leak: The Wall Street Journal (and possibly the London Economist) had information on current discussions of the NMPU in the US Government and an article might appear shortly. This might affect the negotiating timetable. The group agreed that the best line at this time, if asked, would be that we are concerned with the balance of payments aspects of Alliance military expenditures, we are studying various approaches, but we consider it premature to discuss specific plans.

ii. Approach to FRG: It was agreed that a high-level approach to the Germans was essential and that Secretary McNamara's visit to Bonn about July 27 furnished a useful opportunity. Mr. McNamara expected to see Erhard and Schroeder as well as von Hassel.

OSD, JCS and State Dept.
review(s) completed.

Mr. Hinton and Mr. Bator noted that waiting until this date to approach the Germans would delay substantive discussions until the fall. This would create difficulties, including problems for NATO discussions on the financial aspects of relocation. They therefore felt an earlier approach was necessary in addition, perhaps by a Presidential emissary and supported by a Presidential letter to Erhard. Mr. Sullivan and Mr. Wyle questioned the desirability of giving the Germans warning of US intentions before the McNamara visit, although Mr. Sullivan thought it might be feasible to do this by letter.

iii Approaches to Other Governments: Consultation with the UK as outlined in IRG/EUR/Document - 5 was agreed.

Mr. Sullivan and Mr. Wyle were concerned that the statistics thus far available furnished an insufficient basis for judgment with regard to the participation of other allies in an NMPU, especially the Belgians. Mr. Sullivan thought in particular that other techniques might be preferable to the budgetary mechanism in the case of Belgium. In any event, the Treasury needed to be fully convinced that there would be no adverse effect on the US balance of payments and that the US would not have to pick up the tab for any shortfalls in the UK - German offset.

Mr. Hinton thought that IRG/EUR/Document - 4 was technically sound and reiterated the advantages of the proposed multilateral approach. Mr. Bator expressed general agreement, noting again the increasing difficulties with German - US offset arrangements.

iv. NMPU Papers: As Mr. Wyle had informed the group, Defense had doubts about certain technical aspects of the basic NMPU paper (IRG/EUR/Document - 4). Defense thought agreement had been reached to support an NMPU, not necessarily the NMPU proposed by State. He distributed a Defense paper raising a number of these questions. It was agreed that a State - Treasury - Defense - White House working group would review relevant technical aspects of the proposal and present a report to the IRG/EUR by mid-June if possible.

A paper would also be prepared for presentation to other governments, explaining the NMPU concept and highlighting its

advantages to the Alliance. This should be completed by mid-June as well.

b. Recommendations to the SIG

The group agreed to forward its report and recommendations to the Senior Interdepartmental Group -- see IRG/EUR/Document - 6, June 2, 1966.